Strategic Procurement Across UMS

Evaluating and improving the effectiveness, efficiency and value of Strategic Procurement

Administrative Review Project

Presented to:
Administrative Review/Performance Based Budgeting Steering Committee

Approved by Chancellor Page July 2, 2012
Summary of initiative, approach and desired outcomes:

- The intent of the initiative is to assess the current state of procurement resources, structures and services across the System and to make timely recommendations regarding the same. The work is in keeping with Directive III.f of the Board of Trustees January 2012 Goals and Actions which calls to reallocate Savings from Administration and Infrastructure to Teaching, Research and Public Service/

- The objective of the initiative is to generate measurable financial savings from the procurement function across the enterprise. Savings are expected to flow from: reductions in duplication of effort and services; organizational structural changes and administrative efficiencies; lower costs of acquired good and services; as well as other areas that may emerge from the assessment. Further, the initiative will determine how service levels can by improved while board policy and administrative procedures are assured. The Trustees have set an administrative savings target of no less than $8MM FY 13, $16MM in FY14 and accumulating to $24MM in FY15 in ongoing savings across the spectrum of initiatives, including the procurement initiative.

- A review team chartered and sponsored by the Administrative Review Steering Committee under the direction of the University’s Board of Trustees, Chancellor and Presidents Council will carry out this initiative. The System Director of Facilities Management and General Services will lead the team.

- Contributions from, communication with and service to a wide variety of stakeholders will be key to a successful initiative. Stakeholders and constituencies include Chief Financial Officers and procurement card end-users, MaineStreet Marketplace Campus Leaders and any employee making a purchase of any kind, whether pencils or plane tickets. The currently identified key constituencies are further detailed in the Governance, Leadership and Accountability section of this document.

- The portions of this initiative focused on assessment, recommendations and planning began June 15, 2012, and are expected to conclude by December 31, 2012. Actual implementation and follow-up auditing will follow thereafter during calendar year 2013.
Four-phase process planned for initiative

Stage 1 - Analyze & Evaluate
1. Communicate with stakeholders and report to sponsors throughout.
2. Conduct SWOT analysis of relevant issues facing procurement within the UMS System
3. Describe the review process.
4. Identify benchmarks and standards.
5. Analyze the resources and structure of procurement services across UMS.
6. Determine whether or when any third-party resources will be required or useful.

Stage 2 - Develop & Design
1. Communicate with stakeholders and report to sponsors throughout.
2. Outline the most effective administrative structure for cost-effective delivery of services.
3. Identify and mitigate risks associated with that structure.
4. Develop a portfolio of opportunities to achieve initiative goals.
5. Create a priority-structured summary matrix of recommendations and opportunities, including:
   a. a budget analysis, timeline for implementation, estimated ROI.
6. Calculate resources required to achieve initiative goals.
7. Document any additional “game-changing” or key opportunities not otherwise captured.

Stage 3 - Implement
1. Communicate with stakeholders and report to sponsors throughout.
2. Current anticipated timeline for implementation is Calendar Year 2013.
3. Implementation to be determined by Stages 1 and 2 above.

Stage 4 - Measure & Audit
1. Communicate with stakeholders and report to sponsors throughout.
2. Audit measures and timeline to be determined by Stages 1 and 2 above.
Proposed Governance, Leadership and Accountability

Chartered by:
- Board of Trustees

Sponsors
- Trustee Karl Turner
- Presidents Council

Administrative Review/Performance Based Budgeting Steering Committee
- Trustee Karl Turner
- Chancellor James Page
- President Paul Ferguson
- President Cynthia Huggins
- Vice Chancellor Rebecca Wyke

Team Lead:
- System Director of Facilities Management and General Services

Review Team:
- Chip Gavin, System Director of Facilities Management and General Services, UMS
- Richard Campbell, Chief Financial Officer, USM
- Kevin Carr, Director of Strategic Procurement, UMS
- Michael Noblet, Director of Purchasing and AP Shared Services, UM
- John D. Murphy, Vice President for Administration, UMFK
Contributors
- Shared Services Advisory Council
- MaineStreet Marketplace Steering Committee
- MaineStreet Marketplace Campus Leaders
- Purchasing Card Administrators
- Travel and Expense Administrators

Additional Contributors, Stakeholders and Constituencies
- MaineStreet Marketplace Users
- Purchasing Card Holders, Record Keepers and Approvers
Preliminary analysis - Prior work and accomplishments

A preliminary assessment indicates that much has been accomplished across the System since 2009, and third party assessments have confirmed those efforts are generating the returns that were anticipated.

Structural, procedural and policy changes have included:
- Introduction of a web-based system-wide eProcurement tool (MaineStreet Marketplace);
- The creation and consolidation of the AP Shared Services Processing Center at UM, and;
- The update of Administrative Practice Letters guiding procurement across the System.

Additionally, a number of strategic projects also have occurred, such as:
- Contract adjustments to courier and scientific supplies;
- System-wide contract negotiations and development for office products, office equipment, IT hardware, general MRO (facilities-related) supplies, food-related products;
- Leveraging of catalog suppliers for more price discounts, rebates, prompt payment discount, and;
- The redesign of budgetary approval workflow to improve expense visibility and budgetary accountability.

All of this work was in keeping with the 2009 Huron report.
**Preliminary analysis – The work ahead**

At the same time, there is work as yet undone as recommended by the 2009 Huron report, including:

- The development of a system-wide travel program;
- Creation and adoption of center-led procurement operations;
- An update of the use and role of Purchasing Cards;
- Development of approach and process for complex commodities;
- Dedication of resources for the investigation of spending analysis and contract management tools to generate further savings and efficiencies;
- Opportunities for savings through additional or advanced training or tools for all employees involved with procurement.

These areas for potential savings, efficiencies and service improvements represent at least a starting point for the Administrative Review Project – Strategic Procurement team.

Preliminary areas of analysis also will include:

- Current administrative resources and structures dedicated to procurement across UMS;
- Assessment of potential areas of expertise as well as duplication or unnecessary redundancy;
- Implementation of Board policy, administrative practice letters and campus procedures;
- New areas where the sourcing, procurement or settlement of specific services or commodities could deliver new savings in the relatively near term, such as energy, custodial paper supplies and cable/satellite programming;
- Opportunities for further elimination of paper transactions in favor of electronic transactions.

**Initial material resources:**

- UMS Huron 2009 report
- USM 2011 Strategic Procurement Assessment
Deliverables:
A written report by December 31, 2012 which includes at least:
1. Recitation of benchmarks and standards
2. A description of the review process
3. Review of current status, including since 3rd party assessment in 2009
4. Identification of potential and recommended opportunities
5. A plan to implement the recommend opportunities for the most effective administrative structure for the efficient and cost-effective delivery of services. The plan is to include:
   a. Listing of strategic tasks or projects that make up overall plan and the rationale or intended benefit of each
   b. A schedule of milestones
   c. A communication plan
   d. A budget
   e. ROI
   f. Risk analysis
   g. Identification of resources
   h. Timeline for implementation

Timeline:
Start date: No later than June 15, 2012
Complete resource and funding model: No later than December 31, 2012
## DRAFT Proposed schedule for General Administrative Review - Strategic Procurement

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